LARGEST AIRLINE CATERER TO FIRE 300 WORKERS AS IN-FLIGHT TRENDS TRIGGER WIDER LOSS

News / Airlines

Gategroup Holding AG, vying with Deutsche Lufthansa AG to be the biggest airline caterer, posted a wider loss and said it will cut 300 jobs as it adopts a new strategy, sending the stock to the steepest drop in three years.

Gategroup slumped 15 percent to 28 Swiss francs Thursday, the most since Nov. 23, 2011, after it said posts would be cut at its Zurich base and offices in London and Reston, near Washington. The shares traded 12 percent lower at 2:34 p.m., valuing the company at 769 million francs ($790 million).

Airline caters are struggling with a tougher operating environment as consolidation boosts carriers' bargaining power and a switch to low-cost flights on short-haul routes means a lower proportion of passengers take meals. Gategroup's first- half net loss widened to 87.5 million francs as it booked 34.6 million francs in restructuring costs, including severance.

Under its new Gateway 2020 plan, the company will focus on growing inflight retail sales to 50 percent of the total, matching the value of food, from 18 percent now, and tripling the contribution of emerging markets, also to half the total.

Lufthansa’s LSG Sky Chefs arm, Gategroup’s biggest competitor, had an operating profit of 100 million euros ($111 million) on revenue of 2.63 billion euros last year, a margin of 3.8 percent. Gategroup, founded as the Gate Gourmet unit of Swissair in 1992, had 2014 sales of 3 billion francs.

Gategroup doubled in size in 1999 with the $780 million acquisition of Dobbs International Services, the U.S. No. 1, before being bought by U.S. buyout firm Texas Pacific Group in 2002 when Swissair collapsed. It was sold to investors in 2007 and listed on Switzerland’s main stock exchange in 2009.

05 SEPTEMBER 2015

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